



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

October 19, 2017

The Honorable Lamar Smith  
Chairman  
Committee on Science, Space,  
and Technology  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Smith:

Thank you for your June 29, 2017 letter highlighting concerns regarding apparent efforts to influence U.S. public policy and public opinion of the oil and gas industry. We appreciate your interest in these important issues; we cannot, however, comment on investigations, including to confirm whether an active investigation is underway.

This being said, we strongly support vigorous enforcement of the law and work every day to combat money laundering and other illicit financing schemes. Although Treasury does not have statutory authority to prosecute criminal misconduct, the Financial Crimes Enforcement Network (FinCEN) writes the regulations and rules under the Bank Secrecy Act that U.S. financial institutions must follow to help protect the U.S. financial system. Pursuant to these regulations, financial institutions are expected to perform thorough customer due diligence and file reports regarding, among other things, suspicious financial activities involving shell corporations, foreign governments, and sources connected to illicit activity. Authorized law enforcement agencies have ready access to the information filed with FinCEN to support their investigations.

Thank you again for contacting us on this important matter. If you have any further questions or concerns, please contact Luke Ballman, Office of Legislative Affairs, at (202) 622-1900.

Sincerely,

Drew Maloney  
Assistant Secretary for Legislative Affairs

Identical letter sent to:

The Honorable Randy Weber

cc: The Honorable Eddie Bernice Johnson  
The Honorable Marc Veasey



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

October 19, 2017

The Honorable Randy Weber  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative Weber:

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Sincerely,

Drew Maloney  
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Identical letter sent to:

The Honorable Lamar Smith

cc: The Honorable Eddie Bernice Johnson  
The Honorable Marc Veasey

# Congress of the United States

## House of Representatives

COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY

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June 29, 2017

The Honorable Steven T. Mnuchin  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Ave. NW  
Washington, D.C. 20220

Dear Secretary Mnuchin:

The Committee on Science, Space, and Technology is conducting oversight of what appears to be a concerted effort by foreign entities to funnel millions of dollars through various non-profit entities to influence the U.S. energy market. According to the former Secretary General of NATO, “Russia, as part of their sophisticated information and disinformation operations, engaged actively with so-called nongovernmental organizations – environmental organizations working against shale gas – to maintain dependence on imported Russian gas.”<sup>1</sup> Other officials have indicated the same scheme is unfolding in the U.S. These statements and related reports provide evidence that Russia is also behind the radical statements and vitriol directed at the U.S. fossil fuel sector. The purpose of this letter is to request that the U.S. Department of Treasury investigate these and related allegations.

### Russia’s Propaganda War against Fossil Fuels

U.S. presidential candidates, European officials, and the U.S. intelligence community have all publicly noted that Russia and its government corporations are funding a covert anti-fracking campaign to suppress the widespread adoption of fracking in Europe and the U.S. – all in an effort to safeguard the influence of the Russian oil and gas sector. For example, former NATO Secretary-General Anders Fogh Rasmussen told reporters in 2014, “I have met allies who can report that Russia . . . engaged actively with so-called non-governmental organizations . . . to maintain European dependence on imported Russian gas.”<sup>2</sup> Russia’s attempts to maintain a stronghold on the European oil and gas market is well documented, one NATO official said:

<sup>1</sup> Andrew Higgins, *Russian Money Suspected Behind Fracking Protests*, NY TIMES, Nov. 30, 2014, available at [https://www.nytimes.com/2014/12/01/world/russian-money-suspected-behind-fracking-protests.html?\\_r=0](https://www.nytimes.com/2014/12/01/world/russian-money-suspected-behind-fracking-protests.html?_r=0) (last visited May 31, 2017).

<sup>2</sup> Michael Bastasch, *Hillary’s Leaked Speeches Confirm Russia Funded Anti-Fracking Groups*, DAILY CALLER, Oct. 10, 2016, available at <http://dailycaller.com/2016/10/10/hillarys-leaked-speeches-confirm-russia-funded-anti-fracking-groups/> (last visited May 31, 2017); see also Fiona Harvey, *Russia ‘Secretly Working with Environmentalists to Oppose Fracking’*, THE GUARDIAN, Jun. 19, 2014, available at

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...Russia has been using a mix of hard and soft power in its attempt to recreate a sphere of influence, including through a campaign of disinformation on many issues, including energy. In general, the potential for Russia using energy supplies as a means of putting pressure on European nations is a matter of concern. No country should use supply and pricing as tools of coercion.<sup>3</sup>

The desire for power over the global energy market does not stop at the European borders. Russia's influence extends to the U.S.

Former Secretary of State and then-presidential candidate Hillary Clinton, with access to intelligence reports, made a private speech in 2014, according to documents from WikiLeaks, which included statements about the struggles of dealing with Russian-backed environmental groups. According to the *Washington Times*, Secretary Clinton said the following: "We [the State Department and the U.S.] were up against Russia pushing oligarchs and others to buy media. We were even up against phony environmental groups, and I'm a big environmentalist, but these were funded by the Russians to stand against any effort, 'Oh that pipeline, that fracking, that whatever will be a problem for you,' and a lot of the money supporting that message was coming from Russia."<sup>4</sup>

Recent news reports reference a "U.S. intelligence community's [Office of the Director of National Intelligence] report on Russian activities in the presidential election" that contains "clear evidence that the Kremlin is financing and choreographing anti-fracking propaganda in the United States."<sup>5</sup> According to media outlets, the report found that "[Russian Today News] ran 'anti-fracking programming, highlighting environmental issues and the impacts on public health,' which is 'likely reflective of the Russian government's concern about the impact of fracking and the U.S. natural gas production on the global energy market and the potential challenges to Gazprom's profitability.'"<sup>6</sup> Gazprom is a large Russian company engaged in all activities related to oil and gas production. It is easy to see the benefit to Russia and Gazprom that would result from a reduction in the U.S. level of drilling and fracking – a position advocated for by numerous environmental groups in the U.S. Gazprom and the Russian

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<https://www.theguardian.com/environment/2014/jun/19/russia-secretly-working-with-environmentalists-to-oppose-fracking> (last visited May 31, 2017) [hereinafter Harvey, Jun. 19, 2014].

<sup>3</sup> *Id.*

<sup>4</sup> Valerie Richardson, *Leaked Emails Show Hillary Clinton Blaming Russians for Funding 'Phony' Anti-fracking Groups*, WASH. TIMES, Oct. 10, 2016, available at <http://www.washingtontimes.com/news/2016/oct/10/clinton-blames-russians-anti-fracking-groups/> (last visited May 31, 2017).

<sup>5</sup> Drew Johnson, *Intelligence: Putin Is Funding the Anti-Fracking Campaign*, NEWSWEEK, Jan. 29, 2017, available at <http://www.newsweek.com/intelligence-putin-funding-anti-fracking-campaign-547873> (last visited May 31, 2017) [hereinafter Johnson, Jan. 29, 2017].

<sup>6</sup> John Sicilliano, *Hacking Report: Russia Engaged in Anti-fracking Campaign*, WASH. EXAMINER, Jan. 6, 2017, available at <http://www.washingtonexaminer.com/hacking-report-russia-engaged-in-anti-fracking-campaign/article/2611144> (last visited May 31, 2017).

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government have infiltrated U.S. organizations at home and attempted to sway public opinion and thereby government opinion.<sup>7</sup> Discussed below is the intricate scheme employed by Russia.

### **The Mechanics of Russia's Scheme to Use Nonprofit Entities to Influence U.S. Public Policy and Public Opinion of the Oil and Gas Industry**

Publicly available reports connect the dots in this complex scheme operated under the guise of philanthropic endeavors. The Russian government and complicit parties have executed a political agenda with little or no paper trail. This scheme allows money originating from foreign countries like Russia to funnel through Bermuda-based shell companies to environmental groups in the United States with the aim of disrupting the U.S. energy industry. These allegations are ripe for investigation by the Department of Treasury.

According to the reports, entities connected to the Russian government are using a shell company registered in Bermuda, Klein Ltd. (Klein), to funnel tens of millions of dollars to a U.S.-based 501(c)(3) private foundation, the Sea Change Foundation (Sea Change). This money appears to move in the form of anonymous donations.<sup>8</sup> Sea Change then passes the money originating in Russia to various U.S. 501(c)(3) organizations such as the Sierra Club, League of Conservation Voters Education Fund, and others. These funds are dispersed as grants that will be used to execute a political agenda driven by Russian entities. The purpose of this circuitous exchange of foreign funds is to shield the source of the money.<sup>9</sup>

Klein is a Bermuda based corporation apparently established to act only as a pass through for foreign funds. Klein, according to reports, was formed in March 2011, by two attorneys of a Bermuda based law firm, Wakefield Quin.<sup>10</sup> The firm provides a number of services, including those necessary to facilitate the operations of a shell company like Klein. Following is a list of services provided by Wakefield Quin:

- Preparing share transfers, share certificates, proxies, declaration of trust and other miscellaneous documents as may be required from time to time.
- Acting as share registrar and transfer agent.
- Liaising with the company's bankers, managers (where applicable), accountants and auditors and assisting with annual audits of the company.

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<sup>7</sup> Johnson, Jan. 29, 2017, *supra* note 5.

<sup>8</sup> S. Comm. on Environment & Public Works, *Staff Report: Chain of Environmental Command: How a Club of Billionaire and Their Foundation Control the Environmental Movement and Obama's EPA*, 113th Cong. (Comm. Print, Jul. 30, 2014).

<sup>9</sup> Lachlan Markay, *Foreign Firm Funding U.S. Green Groups Tied to State-Owned Russian Oil Company*, WASH. FREE BEACON, Jan. 27, 2015, available at <http://freebeacon.com/issues/foreign-firm-funding-u-s-green-groups-tied-to-state-owned-russian-oil-company/> (last visited May 31, 2017) [hereinafter Markay, *Foreign Firm Funding U.S. Green Groups*].

<sup>10</sup> *Id.*

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- **Managing day to day affairs of the company, including, if required and authorized, signing or countersigning cheques and handling correspondence, faxes and telephone call.<sup>11</sup>**

According to documents filed with Bermuda's registrar of companies, Nicholas Hoskins, a Wakefield Quin senior counsel and managing director, and Marlies Smith, a Wakefield Quin corporate administrator, are listed as the sole executives of Klein.<sup>12</sup> Klein and Wakefield Quin share the same address, along with more than 20 other companies run through the Bermuda firm.<sup>13</sup> Wakefield Quin has a history of dubious activities in connection with the handling of foreign funds. Hoskins and Rod Forrest, director and senior counsel at Wakefield Quin, held directorship positions at the "IPOC Group," owned by Leonid Reiman, a Russian minister of telecommunications and longtime friend of Russian President Vladimir Putin.<sup>14</sup> The "IPOC Group" was convicted in a British Virgin Island's court in 2008 of operating a "sophisticated money laundering scheme that has been taking illegitimately obtained money out of Russia and cleaning that money for reinvestment."<sup>15</sup> The court ordered \$45 million in holdings to be confiscated.<sup>16</sup>

The prior conduct of Wakefield Quin principals reflects a known strategy used to mask the funding of environmental groups. According to one investigative journalist, "A number of Big Green donors have chosen offshore foundations for government-guaranteed anonymity," adding that, "several countries have become favorites in the no-disclosure-required industry, notably Bermuda, Panama, and Liechtenstein."<sup>17</sup> By incorporating in Bermuda, Klein is not required to disclose its donors' identities or countries of origin. In contrast, the U.S. does not permit this lack of transparency.

Although the source of Klein's capital has not been documented, Wakefield Quin's deep connections to the Russian government and energy sector strongly suggest it is the source of Klein's capital. Wakefield Quin's corporate administrator, Penny Cornell, and senior counsel Rod Forrest served as chief operating officer and director, respectively, of Spectrum Partners Ltd.<sup>18</sup> Spectrum Partners is a holding company based out of Wakefield Quin's office whose portfolio includes a fund called the "Spectrum Russia Absolute Fund."<sup>19</sup> Fifty-three percent of

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<sup>11</sup> Wakefield Quin, Corporate Services, available at <http://www.wq.bm/other-services/corporate-services/> (last visited May 10, 2017) (the website has recently been changed); see also Big Green Radicals, *From Russia With Love? Examining Links Between US Environmental Funder and The Kremlin*, (2015), available at [https://www.biggreenradicals.com/wp-content/uploads/2015/01/Klein\\_Report.pdf](https://www.biggreenradicals.com/wp-content/uploads/2015/01/Klein_Report.pdf) (last visited May 31, 2017) [hereinafter *From Russia With Love?*].

<sup>12</sup> Markay, *Foreign Firm Funding U.S. Green Groups*, *supra* note 9.

<sup>13</sup> *Id.*

<sup>14</sup> *From Russia With Love?*, *supra* note 11, at 1.

<sup>15</sup> *Id.* at 4.

<sup>16</sup> *Id.* at 4 & Appendix.

<sup>17</sup> Lachlan Markay, *Liberal Foundation Distributed Money from Bermuda to Liberal Nonprofits*, WASH. FREE BEACON, Aug. 1 2013, available at <http://freebeacon.com/national-security/liberal-foundation-distributed-money-from-bermuda-to-liberal-nonprofits/> (last visited May 31, 2017).

<sup>18</sup> Markay, *Foreign Firm Funding U.S. Green Groups*, *supra* note 9.

<sup>19</sup> *From Russia With Love?*, *supra* note 11, at 4–5.

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the fund's assets were invested in the Russian oil and gas industry.<sup>20</sup> In 2002, Spectrum Partners along with a Moscow based investment firm, Marcuard Holdings, worked together to form Marcuard-Spectrum with the purpose of operating hedge funds in Bermuda, again based out of Wakefield Quin offices. Wakefield Quin's Nicholas Hoskins also serves as director and vice president of a Marcuard Holding subsidiary, Marcard Services, whose president is Hans-Joerg Duloff, former chairman of the Russian state owned gas company Rosneft.<sup>21</sup> Lastly, documents indicate that in 2009, Nickolas Hoskins also served as director of Troika Dialog, a banking firm that was one of the largest shareholders of Timan Oil & Gas, a Russian oil company.<sup>22</sup> These fiduciary relationships between Wakefield Quin and the Russian energy sector suggest the source of Klein's funders: the Russian government and its oil and gas sector.

As previously stated, the Russian funds funnel to a private foundation based in San Francisco, Sea Change, which then passes the funds to environmental 501(c)(3) groups with the intent to effect political change.<sup>23</sup> According to Sea Change's IRS Form 990, Klein contributed \$23 million to Sea Change in 2010 and 2011 amounting to 49% of total contributions that Sea Change received in that time period.<sup>24</sup> Klein's contributions to Sea Change are not by chance. Sea Change's founder and president Nat Simons, is appropriately positioned to give the Russian funds to environmental groups that push back on U.S. domestic fracking and gas advancements. Nat Simons has said the mission of Sea Change is to facilitate the transfer of money and advance a shift away from carbon-based energy.

The strategy of Sea Change is to apply domestic political pressure using its deep pockets – with most of the funding coming from Russia. Sea Change provides funding grants to well-known environment activist groups like Sierra Club Foundation, League of Conservation Voters Education Fund, Natural Resources Defense Council Inc. and many similar organizations.<sup>25</sup> These grants, according to Sea Change's IRS Form 990, totaled \$10,933,332 in 2010, to "reduce reliance on high carbon energy" and again under the same description in 2011, totaling \$10 million.<sup>26</sup> Overall, from 2010 to 2011, Sea Change contributed over \$20 million in an attempt to suppress the U.S. domestic oil & gas industry using funding from a foreign entity that intentionally conceals its funding sources.

The scheme described in this letter raises questions about whether these foreign entities working to influence U.S. policy are in violation of federal statutes pertaining to agents of foreign governments or those lobbying on behalf of domestic and foreign interests. 18 U.S.C. § 2386 requires certain organizations that carry out political activity in the U.S. to register with the

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<sup>20</sup> *Id.* at 5.

<sup>21</sup> *Id.*

<sup>22</sup> Markay, *Foreign Firm Funding U.S. Green Groups*, *supra* note 9; see also Letter from Troika Dialog, to Int'l Swaps & Derivatives Assn., Inc. , Oct. 7, 2009, available at <http://www.isda.org/smallbang/sbpdf/TroikaDialogBermudaLtd101309.pdf> (last visited May 31, 2017).

<sup>23</sup> S. Comm. on Environment and Public Works, *Staff Report: The Chain of Environmental Command: How a Club of Billionaires and Their Foundations Control the Environmental Movement and Obama's EPA*, 113th Cong. (Comm. Print Jul. 30, 2014).

<sup>24</sup> *Id.* at 63.

<sup>25</sup> *Id.* at 64.

<sup>26</sup> *Id.*

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Attorney General, including organizations subject to foreign control.<sup>27</sup> Further, the Lobbying Disclosure Act of 1995, codified at 2 U.S.C. § 1601, prescribes procedures and registration requirements of those engaged in lobbying on behalf of domestic and foreign interests.<sup>28</sup> Also, 18 U.S.C. § 951, which pertains to non-political activities, states: “Whoever, other than a diplomatic or consular officer or attache, acts in the United States as an agent of a foreign government without prior notification to the Attorney General if required in subsection (b), shall be fined under this title or imprisoned not more than ten years, or both.”<sup>29</sup>

In light of the concerns discussed above, the Committee requests that you conduct a full and complete investigation into the allegations raised in this letter. If the above allegations are true, Russian entities have funneled money through shell corporations to U.S. environmental activist organizations to influence U.S. energy policy.

The Committee on Science, Space, and Technology has jurisdiction over environmental and scientific programs and research and “shall review and study on a continuing basis laws, programs, and Government activities” as set forth in House Rule X.

If you have any questions about this request, please contact Drew Colliati of the Science, Space, and Technology Committee staff at 202-225-6371. Thank you for your attention to this most worrisome subject.

Sincerely,



Rep. Lamar Smith  
Chairman



Rep. Randy Weber  
Chairman  
Subcommittee on Energy

cc: The Honorable Eddie Bernice Johnson, Ranking Minority Member, House Committee on Science, Space and Technology

The Honorable Marc Veasey, Ranking Minority Member, Subcommittee on Energy, House Committee on Science, Space, and Technology

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<sup>27</sup> 22 U.S.C. § 2386(B)(1).

<sup>28</sup> 2 U.S.C. § 1601.

<sup>29</sup> 18 U.S.C. § 951.